

FACTS REGARDING: ACTIVE DUTY SERVICE MEMBERS AND KENTUCKY SALES, USE AND PERSONAL PROPERTY TAX FOR AUTOMOBILES.

In Kentucky active duty service members have some special privileges conferred upon them by the Kentucky Legislature and others by way of a federal law called the Soldiers' and Sailors' Relief Act, (50 App. U.S.C. 501 et. Seq.).

Definitions of the types of taxes:

A "Use Tax" is charged to individuals for the privilege of operation of a motor vehicle purchased in another state or foreign country and now used and registered in Kentucky.

A "Sales Tax" is charged as a percentage of the sales price of an item and it is charged to everyone who purchases retail items in the state.

A Personal Property Tax is charged on the value of personal property located in a state based on its assessed value. The type of tax may be charged in addition to Use or Sales taxes.

Kentucky has created a special exemption regarding sales tax for active duty service members who purchase new or used motor vehicle from a **Kentucky Dealer**. There is a special form which must be submitted to the vehicle registration department in order to claim this exemption. In addition to the form a current copy of the service members leave and earnings statement (LES) must also be submitted.

Kentucky does, however, assess a sales or use tax on service members for vehicles which they have **purchased in another state, a foreign country or from a private individual in Kentucky** when they want to register the vehicle in Kentucky. In the latter case of a purchase from an individual the tax is sales tax. In the case of cars brought in from other jurisdictions it is a use tax. In either case the amount if these taxed is six percent (6%) of the book value of the vehicle on the date of registration. Two things need to be noted here: First the county clerk figures the tax on the value of the vehicle, as determined by value guide books like those used by car dealers and insurance adjusters. They calculate the worth of a car at the date of purchase or registration and not on what you paid for a car. **Secondly, if you have paid a sales or use tax to another state where you purchased the vehicle you receive credit against the use tax that is calculated to be due on the registration of your vehicle in Kentucky.** For example, if you paid \$600.00 in Virginia for sales tax and Kentucky calculated the tax at \$720.00 you would be required to pay the \$120.00 plus other fees. If you paid \$720.00 in Virginia for sales tax and Kentucky calculated the tax at \$600.00 no tax would be due you would only be required to pay the other fees. Others fees are the registration fees and any other minimal clerks or related inspections fees as they may apply in a particular case.

Now that your vehicle has been registered, what about personal property tax? If you are not a legal resident of Kentucky and the vehicle is registered in the **service members name as primary owner and not in a spouse or child's name** the Soldiers' and Sailors' Civil Relief Act now protects you from having to pay State personal property tax to Kentucky. When renewing your registration take a completed DD Form 2058 stating which state is your legal residence and, in some counties, a copy of your LES. When you present these documents you will not be charged the tax but only the registration fee.

You may obtain a DD Form 2058 from your local publications point or check with the Legal Assistance Office. If you have any questions concerning this matter call us at 624-2771.